Digital Cash Transfer Preparedness Grants

Summary of Findings & Recommendations

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Introduction & Background Context

Over decades, the humanitarian assistance community has developed a range of response options to help populations affected by natural disasters or armed conflict. Throughout, institutional preparedness has remained an essential ingredient to ensure effective implementation. More recently, the reach and diversity of digital payment products—particularly those made available via mobile device—have introduced new response channels. In the case of humanitarian responses where a) local market conditions permit the use of cash transfer programs, b) digital infrastructure is adequate and broadly accessible, and c) the country itself is prone to disasters or crises, leveraging digital channels has the potential to generate broad and durable benefits. These benefits may be felt not only by donor organizations and HA response implementers but also by recipient populations and local market actors.

Mobile network operators (MNOs) are playing an increasingly important role in tackling humanitarian challenges. In particular, the use of mobile money for cash transfer programs is one way MNOs and humanitarian organizations are working together to support populations affected by disasters and/or conflict. Disbursing funds has the potential to bring benefits for the MNOs, in terms of signing up new customers and expanding business into previously unserved areas, and for humanitarian organizations, in terms of increasing transparency, efficiency and cost effectiveness. In addition, using digital channels in cash transfer programs aligns with USAID's Journey to Self-Reliance (J2SR) by feeding into metrics such as social equity, government capacity and information & communication technology use.

In 2016 USAID's Office of Foreign Disaster Assistance (OFDA), Food for Peace (FFP), and the US Global Development Lab sought to incentivize humanitarian organizations to consider ways of improving preparedness around cash transfer programs. Specifically, cash transfers that utilized digital means of delivery that could also provide a pathway to increased access to and usage of formal financial services. The first step the group took towards supporting this goal was to host a workshop in Barcelona that brought together over twenty different humanitarian and financial inclusion institutions to discuss how cash transfer programming could support the access and usage of financial services. The workshop resulted in the publication of the [Barcelona Principles](#), which established eight key guidelines for humanitarian organizations implementing digital payments in humanitarian cash transfer programming. The sixth principle recommends investing in organizational preparedness that can help cash transfer programs to quickly leverage digital payments when they are deemed the most appropriate delivery mechanism for a program.

Recognizing the potential benefits associated with making digital payment products more accessible and the need to support humanitarian organizations willing to leverage these solutions, USAID funded a 12-month grant-based initiative titled "Institutional Preparedness for Digital Cash Transfers in Humanitarian Response". This document was drafted to surface and summarize the activities, results, and preliminary lessons generated from this grant. Its primary target audience is USAID staff assigned to a) bureaus or units based in Washington, DC that intersect with planning, implementation, or monitoring

and supervision, b) missions in countries where humanitarian programming is common, or c) other missions where humanitarian responses are less frequent but the topic is of interest. It is also intended for USAID implementing partner staff at the Head Office or country level with a role in humanitarian response program design, execution, management, or evaluation. Finally, this document is meant for institutions or individuals with an interest in better understanding how DFS has been applied to humanitarian programming in very specific market context and operational environments.

Purpose & Objectives

The grant's purpose was to allow recipient organizations to explore, define, or develop capabilities needed to deploy digital financial services (DFS) as part of their cash transfer programming.

The objectives of this initiative were three-fold:

- that new partnerships or agreements would develop between recipient organizations and relevant service providers;
- that new or modified systems and processes would be built or documented; and
- that new skills and tailored tools would result to strengthen institutional capacity to deploy and manage DFS solutions for cash transfer programming in one or more markets, which could be transferred regionally or globally.

Following a competitive bidding process, two organizations were selected to receive grant funding.

1. Catholic Relief Services (CRS) -- proposed to test-in and deploy its Cash and Asset Transfer (or CAT) system to better manage its food security programming in Somalia. Their program design relied on financial assistance as the primary mechanism for supporting people's access to basic food supplies and they planned to use two digital disbursement methods: electronic voucher and mobile money.
2. Mercy Corps -- proposed to apply grant funding in two markets: Mali and DR Congo. In both, they sought to deploy and field test assessment tools developed under the auspices of the Cash Learning Partnership (CaLP) consortium around DFS offerings, especially the capacity and performance of agent networks.

Definition of Institutional Preparedness

Broadly speaking, preparedness in a humanitarian context is the **ability to respond to a situation with the knowledge, methods, and tools necessary to effectively deliver support** to populations or communities in need. It centers in large part on the ability of responding organizations to source, distribute, and track the movement of supplies or money designated for specific groups of

individuals. These activities frequently take place in unpredictable and insecure operating environments. Preparedness, therefore, involves a considerable degree of advance planning, partnership development, and internal capacity building.

When applied to the nascent and, for many organizations, unfamiliar context of DFS integration into humanitarian response programming, **institutional preparedness must include internal as well as external elements**. Internal elements consist of systems, policies, processes, and tools (i.e. standard operating procedures (SOPs), templates, or checklists) to ensure that adequate staffing and capability exists to deploy, manage, and monitor the use of DFS. External elements consist of tools and skills to inform service offering assessments as well as partnership negotiation and management.

While the grantees operated in three different countries with different DFS infrastructure and providers, some common lessons emerged. These lessons have both internal factors, having to do directly with the implementing partners, and external factors, having to do with the service providers and the DFS ecosystem.

While not done in the form of preparedness grants, there are other initiatives in the humanitarian space where organizations are becoming better prepared to respond with digital cash transfer solutions, when appropriate.

- Despite challenges with low phone ownership, liquidity and literacy, MNOs in Rwanda have recognized the opportunity offered by disbursing cash transfers to recipient populations. Through a partnership between the United Nations High Commissioner for Refugees (UNHCR) and Airtel, signed in November 2016, Rwanda returnees receive US$250 per adult and US$150 per child as part of a resettlement package to ensure that all refugees are repatriated and reintegrated into the community.[1] Once returnees have been registered as recipients at the transit center, Airtel is notified and mobile money agents are sent to train the center. Individuals are then provided with a mobile phone if they do not own one and training on how to use of mobile money, prior to the disbursement of funds into their mobile money account.
- Several large organizations, such as World Food Program and IRC, have initiated global tender processes that have resulted in master service agreements with a variety of providers that can deliver services in multiple countries (i.e. Western Union).
- Humanitarian organizations working in Jordan, Lebanon, and Zimbabwe have also begun aggregating their demand rather than approaching the same service providers as different entities.
- The Common Cash Facility in Jordan brought together a variety of cash transfer programs under the roof of one agreement with the winning digital payment provider (a bank in this case). This was the result of iterations over years of working in the country and can serve as a lesson learned for other countries where multiple programs are in need of a similar payment service.

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1 Republic of Rwanda Ministry of Disaster Management and Refugees (MIDIMAR), 'Cessation Clause deadline closing in'. December 2016. http://midimar.gov.rw/index.php?id=45&tx_ttnews%5Btt_news%5D=119&cHash=519e8ce094f0ace9ab42137757b42f29

Common Lessons Learned & Recommendations

1.   Internal Capacity

LESSON: While many humanitarian organizations may be growing their skill set for establishing part-nerships with DFS providers to help deliver cash or vouchers, this **capacity seems to remain cen-tralized in headquarters or regional offices**. Staff at the country level were learning by doing during these preparedness grants. DFS can be a complicated topic to navigate and understand, and it may be unrealistic to expect all country staff to understand how to conduct due diligence on mobile money service providers, for instance. During the life of these grants, both implementing partners created templates and tools that helped country teams better navigate their respective relationships with DFS providers. The preparedness grants gave the organizations an opportunity and incentive to develop these materials and also provided them with resources to build capacity at the country level.

RECOMMENDATIONS FOR HUMANITARIAN ORGANIZATIONS: While DFS providers will differ from country to country, there is **value in organizations taking templates that have already been developed and operationalizing them**. Mercy Corps used templates that were developed through the ELAN program for some of their assessments and due diligence on providers during this grant. Large organizations like Mercy Corps and CRS have the ability to deploy a training of trainers methodology from experts at headquarters to country or regional office leads. Examples of these existing tools can be found in the links in Annex 1 at the end of this summary document. Deploying these tools can help organizations better prepare for issues that may come up around agent liquidity or effective means of communication with partners.

RECOMMENDATIONS FOR DONORS: While larger organizations may have the funds and ca-pacity at headquarters to develop more DFS-savvy country staff, other organizations do not.
- There is an opportunity to aggregate the due diligence and market information that typically re-mains within one organization. Donors should **encourage either larger organizations to share the due diligence they conduct** (which both CRS and Mercy Corps did under this grant) **or fund a central entity, such as a working group, to maintain this level of market informa-tion for the greater humanitarian cash transfer community**.
- USAID's Lab has placed Foreign Service Officers in missions with digital development scopes of work, where they can share market information on their respective countries (i.e. service provider profiles) with cash working groups. **Working groups are currently great venues for organi-zations to share information, but most lack capacity to gather information as members have their own 'day jobs,' and paid coordinator or information-management-officer staff positions are limited**.
- An additional activity donors should consider is the development of online learning courses that enable scalable education. The Digital Frontiers Institute, in collaboration with Mercy Corps, has an online course on cash transfers.[2]

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2. External Capacity

LESSON: Providers need to build capacity around how to manage these expanded expectations. While capacity was lacking amongst the grantees, it was also lacking amongst service providers. Mobile money products are typically used for sending funds from one person to another (P2P), while cash transfer programs require "one-to-many" payments (bulk payments). While most mobile money providers have what are often referred to as corporate services, such as bulk payment products, the nature of one-to-many transfers puts elevated demands on the mobile money agent networks cash liquidity.

RECOMMENDATIONS FOR HUMANITARIAN ORGANIZATIONS: It is important for humanitarian organizations to recognize the strengths they have over service providers. While many mobile money operators have done a fair job of reaching rural areas with their services, **these private sector actors are still not the "last-mile" operators humanitarian organizations are**.

- This type of experience and the networks that organizations have established over the years can be a key supportive infrastructure that enables digital payment providers to serve the individuals and the program in ways they would be unable to do on their own.
- As an example, humanitarian organizations interface with small shops and merchants in order to establish locations for participants to purchase necessary food and non- food items. Gathering a bit more information from the merchants could provide enough data for digital payment providers to extend their points of service to these locations.
- Humanitarian organizations should also be aware that not all providers will be able to accomplish what they lay out in their proposal, so while a prearranged agreement is a good step towards being better prepared, the best way to prepare is practice. The longer humanitarian organizations and providers work together, the better the service delivery.

RECOMMENDATIONS FOR DONORS: Donors can continue to support the broader development of DFS ecosystems by **stimulating demand for bulk payment services outside of humanitarian contexts**.

- USAID has done this by making digital payments the default method of payment for all grants and contracts. This has incentivized all implementing partners of USAID programs to look for digital bulk payment solutions, which has improved product quality on the ground in countries where organizations have adopted payment mechanisms such as mobile money.
- USAID Missions can also play a brokering role between development programs (i.e. health, education, agriculture) that are already using mobile money and cash transfer programs to identify overlapping areas of demand for payments.

3. Smarter Datasets

LESSON: Humanitarian organizations collect a wide range of data points on individuals. This data,

for good reason, is typically used to monitor impact and results of humanitarian programming; and a Do No Harm approach is essential to protecting individual data and getting informed consent to share data. Yet the information they collect on individuals may be useful in deploying DFS as a delivery mechanism. When collecting information that helps organizations better target and monitor recipients for cash transfer programs, **there is an opportunity to expand how the data are used to better streamline and prepare for DFS adoption**.

Data collected on people can also be used to segment individuals into different digital financial service consumer profiles. This concept was proposed by Mercy Corps under the term "Account Uptake Plan" (AUP), where they would utilize data collected on individuals to help identify the most likely sustained users of digital financial services. A big issue many providers face when working with cash transfer programs is the lack of long-term opportunities for growth, as many programs have finite terms of operation. By creating profiles of individuals, humanitarian organizations can help providers identify pockets of sustained demand for DFS beyond the term of the program, which could boost return on investment for the service provider. It is important to note that identifiable data that are not strictly necessary for registering users should not be shared between humanitarian organizations and providers. The Account Uptake plans would result in a segmentation exercise that would be used to make observations on what percentage of the recipient population are likely to continue using DFS services after the program ends. The data would be anonymized so no personal identifiable information would be released without the explicit consent of the individual.

RECOMMENDATIONS FOR HUMANITARIAN ORGANIZATIONS: Organizations should consider collecting information on mobile phone penetration, network coverage, proximity to DFS service points (i.e. agents), and ID ownership when doing initial registration of recipients. Databases with this type of information can help streamline Know-Your-Customer (KYC) review and account registration for digital payment products that may be used in the future. This type of data can also help determine the most suitable mechanism for cash delivery. For instance, if there is low mobile phone ownership amongst individuals, mobile payments may not be the right delivery channel.

RECOMMENDATIONS FOR DONORS: Implementing partners admitted they lacked the capacity to develop a tool that helped segment individuals into the consumer profiles, mentioned above. The tool above was ultimately developed, but with consultation from NetHope, the organization facilitating the grant. While a first version of the tool was developed through this grant, there could be further iteration which could provide more robust guidance to implementing partners interested in using their data collection activities to develop an account uptake plan as well. This would involve more detailed question sets, which could be supplemented by scoring criteria that identifies people most likely to continue to use DFS after the program ends. Donor support for this type of tool's development could help strengthen investment and interest on the part of service providers, as it would provide clear ideas around the potential longer-term return on investment for supporting cash transfer programs. It could also help inform where agent networks should be strengthened and where they may be sustainable after cash transfer programs stop.

4.   Standardized Datasets

LESSON: CRS focused a lot of their work on deploying a management information system (developed through a white label license from Red Rose) for their cash transfer program in Somalia, which the organization plans to use more broadly within their programs around the world. CRS recognizes that standardizing the way data is collected across countries, while enabling some flexibility in the type of data that is collected, helps to speed response times during the initial stages of a program. Messy datasets can be a major burden and take a long time to clean. CRS hopes that delivering standardized datasets and having country staff know how to enter and manage data through a common platform will be scalable and improve organizational preparedness.

RECOMMENDATIONS FOR HUMANITARIAN ORGANIZATIONS: Having a central platform that can be accessed by all programs can streamline processes that use this data, such as payment instructions to deliver funds to recipients. Even for organizations that do not have their own central platform, utilizing cloud services such as Dropbox, Box, Azure, or G Suite, can help improve the security and uniformity of datasets across an organization.

RECOMMENDATIONS FOR DONORS: Donors should require humanitarian organizations to have more strict rules around how personally identifiable information (PII) is managed, and require that PII be kept in databases that have security elements such as password protected logins and tiered levels of user access.

5.   Aggregation of Demand

LESSON: Those with the capacity to assess, evaluate, and help prepare for the use of DFS in cash transfer programs typically are not in country and have limited bandwidth. Therefore, seeking **country level aggregation around information on providers and options for cash transfer programs** can enable programs on the ground to be better equipped to deploy DFS products.

RECOMMENDATIONS FOR HUMANITARIAN ORGANIZATIONS: Organizations should assess whether it is possible to utilize assessments and data developed by their counterparts, and whether there is interest **co-designing and co-developing a collaborative request for proposal (RFP)** around DFS payment products.
- This would make service providers in markets responding to different RFPs from various organizations more willing to negotiate lower prices.
- There are examples of large organizations utilizing another organization's procurement process vs. conducting their own. This saves time and resources for humanitarian organizations and the service providers. An example of this took place between the Danish Refugee Council (DRC) and Norwegian Refugee Council (NRC). NRC recently finalized a decision on proposals for digital cash transfer service providers, and DRC was interested in going through the same process. Instead of

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restarting the entire procurement process, DRC reviewed the decisions made by NRC and drafted a derogation letter allowing DRC to accept NRC's decisions on the providers.

RECOMMENDATIONS FOR DONORS: Donors should identify ways to fund working group activities that aggregate demand of multiple organizations looking to deliver cash transfers.

- Working groups that are funded and that assign responsibilities to dedicated teams have greater bandwidth and resources to help coordinate and aggregate demand amongst the cash transfer community.
- Donors should consider supporting the improvement of digital infrastructure development. Service providers are more likely to build out the necessary infrastructure, be it masts for telecommunications or mobile money agents, if there are concentrated pockets of demand across numerous organizations.
- USAID has recently released a toolkit on aggregation of broadband services that aims to help organizations aggregate demand for internet service that can boost coverage and bring down pricing.[3]

Conclusion

These grants helped to test some initial operating assumptions and revealed new ideas regarding the use DFS in a humanitarian context, further illuminating what institutional preparedness means for cash transfer programming. **Yet, it was evident from both CRS and Mercy Corps' experience that SOP, master service level agreements, and training of trainers can only take organizations so far**. Preparedness without implementation leaves a lot of open questions around whether the delivery mechanisms put in place will function in the same manner stated in scopes of work or service level agreements.

Key takeaways from these grants include:

a. Humanitarian organizations should put themselves in the best position for success by completing quality due diligence of market providers in advance and assessing internal policies, procedures, and staffing skills. This will enable them to make informed decisions about the types of partners they need to effectively deliver funds using DFS to recipients.
b. Preparedness does not need to be solely an institution-by-institution activity. Oftentimes, it is hard for organizations to find the time or funding to stand up internal procedures and conduct due diligence on providers.
c. Donors have the opportunity to ensure shared capacity is available through working groups, which enable organizations to exchange information, experiences, templates, and other relevant tools to assist with program design, implementation, and evaluation.

Overall, the preparedness grants provided quality insights into what it means for an organization at a country level to use DFS in cash transfer programming, when appropriate. Templates and tools can go a long way in supporting an organization's journey through preparedness, but time is often a commodity in short supply for country teams. Therefore, it is important to develop resource centers in countries where organizations can go to get support around RFP development, SOP updates, contract advice, and other key activities that occur when preparing for cash transfer programming in a humanitarian response context is key. Lastly, the impact of a humanitarian crisis is often inversely correlated with a country's level of preparedness, therefore adopting recommendations from this report will be important as countries develop their J2SR Metrics & Country Roadmaps.

Annex 1: Tools for Assessing Digital Payment Provider Capacity

ELAN's Mobile Money Assessment and Contracting Guide:
http://www.cashlearning.org/downloads/mobile-money-assessment-and-contracting-guide-final.pdf

NetHope's Journey from Cash to Electronic Payments Toolkit:
https://solutionscenter.nethope.org/toolkit/view/c2e-toolkit?/programs/c2e-toolkit

Better Than Cash Alliance Development Partner Toolkit:
https://www.betterthancash.org/tools-research/toolkits/development-partners